

Message Text

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PAGE 01 PANAMA 03453 291717Z

64

ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 COME-00 OTPE-00 CCO-00 CIAE-00

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C O N F I D E N T I A L PANAMA 3453

E.O. 11652: GDS

TAGS: ETEL, PN

SUBJ: INTEGRATION OF PANAMANIAN TELECOMMUNICATIONS

REF: STATE 114400

SUMMARY:

IPATEL, WHEN EVENTUALLY FORMED EITHER AS GOVERNMENT OR MIXED ENTERPRISE WITH GOVERNMENT CONTROL, COULD HAMPER PANAMA TELECOMMUNICATIONS INCLUDING THOSE ORIGINATING IN CANAL ZONE. BECAUSE INTERCOMSA EQUITY OBTAINED VIA FRANCHISE PAYMENT OF ONLY \$25,000, WHICH FOR SOME TIME HAS BEEN CONSIDERED BY GOP TO BE ILLEGAL, COMSAT COULD INHERIT SHAKY CLAIM TO WHATEVER MINORITY SHAREHOLDING INTEREST IT MAY ACQUIRE WITH RESULTING DANGER OF FINANCIAL LOSS. END OF SUMMARY.

1. REF SCENARIO DESCRIBED PARA 2A REFTTEL: SHOULD GOVERNMENT DECIDE (BECAUSE FINANCIAL COSTS MIGHT OTHERWISE BE TOO HIGH) TO EMPLOY MEXICO APPROACH TO MERELY TAKE OVER CONTROLLING INTEREST IN ALL INTERNATIONAL TELECOMMUNICATIONS FACILITIES VIA IPATEL IN FORM OF MIXED ENTERPRISE, SUCH A SCENARIO IS CONCEIVABLE.

CONFIDENTIAL

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PAGE 02 PANAMA 03453 291717Z

EMB DOES NOT FORESEE ANY OTHER WAY IN WHICH EXISTING

FIRMS WOULD RETAIN ANY SHARE OF THE OPERATION AND PROFITS. COMPANIES WOULD CONTINUE TO PROVIDE NECESSARY FINANCING AND TECHNICIANS WHILE RECEIVING SMALLER SHARE OF PROFITS AND WOULD HAVE VERY LIMITED VOICE IN DECISIONS.

2. RE QUESTIONS PARA 2B: EMB BELIEVES THAT UNCERTAINTY SURROUNDING FUTURE OF TELECOMMUNICATIONS IN PANAMA DOES NOT PRESENT AN ATTRACTIVE SITUATION FOR POTENTIAL INVESTORS EVEN THOUGH COMSAT, AS INTELSAT MANAGER, HAS A LARGE VOICE IN INTELSAT MATTERS AND COULD CONCEIVABLY ALSO CARRY MORE WEIGHT IN LOCAL DECISION MAKING IN MATTERS AFFECTING SATELLITE COMMUNICATIONS THAN WOULD BE THE CASE OF ANY OTHER OUTSIDE INVESTOR. THE DIFFICULTY IN PREDICTING THE SEQUENCE OF GOP ACTIONS AS WELL AS FORM OF COMPENSATION AND TOTAL VS MAJORITY CONTROL MAKES SPECULATION ABOUT PAYMENT OF DOUBTFUL VALUE. FOR EXAMPLE, IF INTERCOMSA WERE TO BE ABSORBED IN SOME FASHION BY IPATEL THE QUESTION WOULD ARISE AS TO WHETHER PAGE, WHICH FINANCED BUILT AND MANAGES INTERCOMSA, WOULD BE PAID OFF (\$ UPWARDS OF \$5 MILLION) IMMEDIATELY OR CONTINUE TO RECEIVE REPAYMENT FROM PROFITS (EMB UNDERSTANDS INTERCOMSA ONLY RECENTLY BEGAN OPERATING IN THE BLACK). OWNERS, WHICH PAID ONLY \$25,000 FOR FRANCHISE ACQUIRED THROUGH POLITICAL INFLUENCE RATHER THAN OPEN BIDDING, MIGHT RECEIVE LITTLE OR NO COMPENSATION SINCE GOP (AT LEAST SINCE EARLY 1969) IS KNOWN TO CONSIDER CONCESSION TO BE ILLEGATL. THUS IF GOP SHOULD CHOOSE TO SPEND LIMITED RESOURCES IN PAYING OFF LIABILITY TO PAGE WHICH IS ONLY PARTY WHICH PUT MONEY INTO INTERCOMSA, IT WOULD HAVE LITTLE INCENTIVE TO PROVIDE COMPENSATION TO EQUITY SHAREHOLDERS.

3. GOP MIGHT ALSO CHOOSE TO BEGIN TAKEOVER OF CONTROL IN MORE LUCRATIVE AREAS SUCH AS CABLE TELEPHONE AND TELEX BUSINESS OF TROPICAL RADIO AND TELEGRAPH CO. (TRT) WHICH RECEIVED CONCESSION IN 1929 AND WHICH, ALTHOUGH VALID TO 1987, WAS NEVER AMENDED TO PERMIT INTERNATIONAL TELEPHONE SERVICE BY CABLE. THUS IPATEL MIGHT CONTROL TRT FACILITIES AND POSSIBLY ALSO COMSA/WUI (COMUNICACIONES S.A. /WESTERN UNION INTERNATIONAL) MICROWAVE SERVICE INTERCONNECTING WITH COMTELCA SERVING CENTRAL AMERICAN, CONFIDENTIAL

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PAGE 03 PANAMA 03453 291717Z

WHOSE OWNER HAS BEEN TRYING TO SELL OUT TO GOVT., BEFORE BEGINNING NEGOTIATIONS WITH INTERCOMSA. SINCE INTERCOMSA NOW INTERCONNECTS WITH GOVERNMENT SWITCHBOARD AFTER TAKEOVER OF PANAMA POWER AND LIGHT TELEPHONE SYSTEM LAST YEAR, IT WOULD BE FORCED TO QUICKLY COME TO TERMS WITH ANY GOVERNMENT OFFER OR FACE POSSIBLE CONSEQUENCES OF NO INTERNATIONAL CALLS FROM PANAMA BEING ROUTED THROUGH ITS FACILITIES.

4. RE QUESTION PARA 2C: USG AGENCIES IN CANAL ZONE PRINCIPALLY DOD, LEASE A NUMBER OF CABLE CIRCUITS FOR COMMUNICATIONS REQUIREMENTS. POLICY IS TO DIVIDE CIRCUITS BETWEEN AVAILABLE MEDIA INCLUDING INTERCOMSA FOR PROTECTION IN CASE OF FAILURE. ALTHOUGH LOCAL TELEPHONE SYSTEMS OF PANCANAL AND U S ARMY COULD USE ATT CABLE CIRCUITS FOR COMMUNICATIONS WITH U S., IF CABLE DAMAGED OR SABOTAGED, GOP COULD HAMPER TELEPHONE TRAFFIC ORIGINATING IN CANAL ZONE THROUGH IPATEL. TRT CANAL ZONE OFFICE, WHICH USED BY INDIVIDUALS, WOULD BE UNDER GOP THUMB BECAUSE IT WOULD BE SUBSIDIARY OF IPATEL. THUS IPATEL OPERATION COULD HAMPER CANAL ZONE TELEPHONE COMMUNICATIONS UNDER PRESENT OR FUTURE ADMINISTRATIVE ARRANGEMENT. OF COURSE HF RADIO CAPABILITY AND PORTIONS OF DEFENSE COMMUNICATIONS SYSTEM (DCS) EXIST IN CASE OF EMERGENCY SITUATION.

5. AS INDICATED PARA \$#2 ABOVE, COMSAT PARTICIPATION IN LOCAL COMMUNICATIONS (ASSUMING THIS POSSIBLE UNDER MIXED ENTERPRISE, AS OPPOSED TO OUTRIGHT CONTROL AND OWNERSHIP BY GOP, UNDER IPATEL) MIGHT CONCEIVABLY HAVE A SLIGHTLY BENEFICIAL INFLUENCE OVER TELECOMMUNICATIONS POLICY DECISIONS. HOWEVER, EMB BELIEVES POSSIBILITY OF FINANCIAL LOSS AND OR NUMEROUS HEADACHES, WHICH WOULD RESULT FROM CHANGEOVER TO GOP CONTROLLED SYSTEM, PRESENT UNACCEPTABLE RISKS FOR COMSAT.
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